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It used to be that only large companies did business internationally. In the past few years, increasing globalization, reduced trade barriers, the internet, and new business platforms such as eBay and Alibaba, have made cross-border trade more accessible and affordable. Now it's much more common for SMEs (small and medium-sized enterprises) to do business with suppliers internationally, too.

Along with this opportunity comes new challenges. One such challenge is payment.



typically have international offices with localized treasury functions. They set up local bank accounts to hold capital in different countries, and they pay employees and suppliers in local currencies. They may also have sophisticated currency trading and risk management programs. This makes sense when doing a large volume of trade in a given country or region.

It doesn't make sense for SMEs to expand supplier relationships globally when only making a few hundred, or even a few thousand payments a year. For most of these businesses, their bank is the first place they go for help making international payments. But banks haven't innovated for this trend with a product that makes sense for these customers.

Bank-based products typically provide a portal for customers to send international wire transfers. Customers can use it to set up their suppliers, but every time they make a payment, they must key in the amount and remittance information by hand.

Once the transaction is complete, accounts payable must enter that data manually into their accounting system. Sometimes they don't see the real costs of that payment or know how much money landed in the supplier's hands. This lack of visibility is a problem. Suppliers who struggle to receive money reliably, or can't see remittance details for the funds, are more likely to charge you extra for the hassle.

**No visibility, but plenty of fees**

With so much manual work, errors will happen. These are often harder to fix than domestic payment errors. The first problem is that you lack visibility (and so does the bank) from the time the payment enters the portal until it lands in the supplier's hands. The money passes through multiple corresponding banking partners in different countries. You may not know that a payment has failed until you get a call from the supplier asking where the money is. Then you must do your own detective work to find the error. It can be a long process, and many banks will charge you for



alternatives.

Paying international suppliers through a bank portal is a painful, expensive process that creates unnecessary friction for burgeoning cross-border trade. There are better fintech alternatives, and here's how SMEs should evaluate their options.

**Initiation process**

It should be simple to initiate international payments right from your accounting system using the same automated workflow as you use for domestic payments, without manual effort.

**Fee transparency**

Many banks say you can send wires internationally for free. But banks pay fees to other banks in this process, and they're going to make money on the transaction. If it's not from the transaction fee, it's going to be from the currency translation rate (foreign exchange rate), which is harder for the customer to track. If you can't see the currency translation rate before you send the money, this is a good indication that you might not have the best rate. Look for a provider who is transparent with all fees pre-transaction.

**Support**

Even with automation, payment errors are inevitable. Watch your payment as it travels. If your bank isn't right on top of the mistake, they will charge for things like investigating the error—and that's absurd. Look for a provider that supports the payment on the back end. Review the visibility into the progress of the payment. Ask how fast they react to problems. Do they charge extra for support services?

**An opaque market**

Banks have enjoyed the lion's share of cross-border payment business for some time,



In the future, there is potential for **blockchain technology** to transform the market for international payments, and this is one of the reasons you see so many banks investing in it. Banks don't want to lose out, and they're moving as fast as they can to keep up with fintechs.

But, I think we're still three to five years out from a robust, complete blockchain solution for international payments, and that's not helpful if you're trying to scale your business globally right now. Fortunately, alternative fintech solutions exist to help companies make **scalable international payments** now, freeing SMEs from at least one obstacle to achieving global ambitions.

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